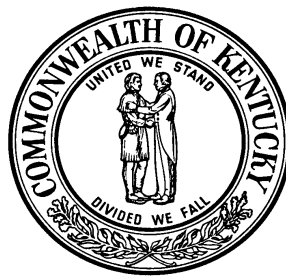


**REPORT OF THE AUDIT OF THE  
WARREN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE WARREN COUNTY SHERIFF**

**For The Year Ended  
December 31, 2008**

The Auditor of Public Accounts has completed the Warren County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statements present fairly, in all material respects, the revenues, and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Warren County Sheriff had total receipts of \$5,330,796, which was a \$1,546,821 increase from the prior year. Except for reimbursed expenses in the amount of \$261,885 and fiscal court contributions of \$2,428,000, the sheriff paid 25% of receipts to the Warren County Fiscal Court in the amount of \$422,556. This was an increase of \$20,455 from the prior year. In addition, disbursements increased by \$356,949.

#### **Debt Obligations:**

Operating lease agreements totaled \$11,767 as of December 31, 2008.

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Michael O. Buchanon, Warren County Judge/Executive  
Honorable Jerry Gaines, Warren County Sheriff  
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Warren County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2008. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Michael O. Buchanon, Warren County Judge/Executive  
Honorable Jerry Gaines, Warren County Sheriff  
Members of the Warren County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Warren County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

March 29, 2010



WARREN COUNTY  
JERRY GAINES, SHERIFF  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

|  |           |    |           |
|--|-----------|----|-----------|
| State Grants                             |           | \$ | 15,504    |
| State - KLEFPF                           |           |    | 144,067   |
| State Fees for Services:                 |           |    |           |
| State Fees                               | 374,156   |    |           |
| Sheriff Security Services                | 123,070   |    |           |
| Finance and Administration Cabinet       | 72,367    |    | 569,593   |
|  |           |    |           |
| Circuit Court Clerk:                     |           |    |           |
| Arrest Fees                              | 11,638    |    |           |
| Court Ordered Payments                   | 728       |    | 12,366    |
|  |           |    |           |
| Fiscal Court                             |           |    | 2,428,525 |
| County Clerk                             |           |    | 3,291     |
| Commission on Taxes                      |           |    | 1,338,142 |
| Fees Collected for Services:             |           |    |           |
| Auto Inspections                         | \$ 50,791 |    |           |
| Accident and Police Reports              | 6,504     |    |           |
| Serving Papers                           | 262,465   |    |           |
| Carrying Concealed Deadly Weapon Permits | 13,705    |    |           |
| Sheriff's Advertising Fees               | 18,550    |    |           |
| Sheriff's Penalty                        | 129,068   |    | 481,083   |
|  |           |    |           |
| Other Revenues:                          |           |    |           |
| Fees Collected - Fiscal Court            | 65,230    |    |           |
| Miscellaneous Expense Reimbursements     | 101,611   |    |           |
| Miscellaneous Payroll Reimbursements     | 141,857   |    | 308,698   |
|  |           |    |           |
| Interest Earned                          | 29,250    |    |           |
| Miscellaneous                            | 277       |    | 29,527    |
|  |           |    |           |
| Total Revenues                           |           |    | 5,330,796 |

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY  
JERRY GAINES, SHERIFF  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
For The Year Ended December 31, 2008  
(Continued)

Expenditures

|                                    |    |               |                |                    |
|------------------------------------|----|---------------|----------------|--------------------|
| Payments Made By County            |    | \$            | 69,317         |                    |
| Other Expenditures:                |    |               |                |                    |
| Miscellaneous                      | \$ | 12,268        |                |                    |
| Transporting Prisoners             |    | <u>51,808</u> | <u>64,076</u>  |                    |
| Total Expenditures                 |    |               |                | <u>\$</u> 133,393  |
| Net Revenues                       |    |               |                | 5,197,403          |
| Payments to State Treasurer:       |    |               |                |                    |
| 75% Operating Fund                 |    |               | 4,774,847      |                    |
| 25% County Fund                    |    |               | <u>422,556</u> | <u>5,197,403</u>   |
| Balance Due at Completion of Audit |    |               |                | <u><u>\$</u></u> 0 |

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY  
 JERRY GAINES, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2008

|  | 75%<br>Operating<br>Fund | 25%<br>County<br>Fund | Totals         |
|--|--------------------------|-----------------------|----------------|
| Fund Balance - January 1, 2008 (Restated)  | \$ (1,131,532)           | \$                    | \$ (1,131,532) |
| <u>Revenues</u>                            |                          |                       |                |
| Fees Paid to State - Operating Funds (75%) | 4,774,847                |                       | 4,774,847      |
| Fees Paid to State - County Funds (25%)    |                          | 422,556               | 422,556        |
| Total Funds Available                      | 3,643,315                | 422,556               | 4,065,871      |
| <u>Expenditures</u>                        |                          |                       |                |
| Warren County Government                   |                          | 422,556               | 422,556        |
| Personnel Services-                        |                          |                       |                |
| Official Statutory Maximum                 | 100,456                  |                       | 100,456        |
| Deputies' Salaries Including Overtime      | 2,501,107                |                       | 2,501,107      |
| Workers' Compensation                      | 116,073                  |                       | 116,073        |
| Training Incentive                         | 3,525                    |                       | 3,525          |
| Employee Benefits-                         |                          |                       |                |
| Employer's Share Social Security           | 181,435                  |                       | 181,435        |
| Employer's Share Retirement                | 646,185                  |                       | 646,185        |
| Employer's Paid Health Insurance           | 213,467                  |                       | 213,467        |
| Materials and Supplies-                    |                          |                       |                |
| Office Materials and Supplies              | 25,169                   |                       | 25,169         |
| Other Charges-                             |                          |                       |                |
| Uniforms                                   | 24,215                   |                       | 24,215         |
| Advertising Fees - Property Taxes          | 5,282                    |                       | 5,282          |
| Departmental Operating expense             | 176,210                  |                       | 176,210        |
| Postage                                    | 21,310                   |                       | 21,310         |
| Sheriff's Travel                           | 1,983                    |                       | 1,983          |
| Technical Programming Support              | 152,014                  |                       | 152,014        |

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY  
 JERRY GAINES, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2008  
 (Continued)

|                                     | 75%<br>Operating<br>Fund | 25%<br>County<br>Fund | Totals                |
|-------------------------------------|--------------------------|-----------------------|-----------------------|
| <u>Expenditures</u> (Continued)     |                          |                       |                       |
| Other Charges- (Continued)          |                          |                       |                       |
| Telephone/Fax/Cellular              | \$ 32,798                | \$                    | \$ 32,798             |
| Training/Certifying Employees       | 13,886                   |                       | 13,886                |
| Firearms Certification and Training | 15,231                   |                       | 15,231                |
| Reimbursed Operating Expenses       | 21,925                   |                       | 21,925                |
| Auto Expenses-                      |                          |                       |                       |
| Gasoline                            | 183,544                  |                       | 183,544               |
| Lease                               | 5,254                    |                       | 5,254                 |
| Vehicle Maintenance and Repairs     | 98,056                   |                       | 98,056                |
| Capital Outlay                      | 134,108                  |                       | 134,108               |
| Total Expenditures                  | 4,673,233                | 422,556               | 5,095,789             |
| Fund Balance - December 31, 2008 *  | <u>\$ (1,029,918)</u>    | <u>\$ 0</u>           | <u>\$ (1,029,918)</u> |

\* In April 2009, the fiscal court contributed \$1,250,000 to the Sheriff's office. The contribution was deposited into the Sheriff's 75% operating fund.

WARREN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

WARREN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent for the first six months and 29.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Warren County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Warren County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WARREN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2008  
(Continued)

Note 4. Leases

The office of the Sheriff was committed to a lease agreement with Gary Force Toyota for a 2008 Toyota Sequoia. The agreement requires a monthly payment of \$421 for 36 months to be completed on July 25, 2011. The total remaining balance of the agreement was \$11,767 as of December 31, 2008.

Note 5. Seized Funds Account

The Warren County Sheriff maintains a Seized Funds Account with funds received as the result of court-ordered payments for drug investigations. These funds are to be used for drug enforcement and drug education. The Seized Funds Account had a beginning balance of \$6,666, receipts of \$12,871 and expenditures of \$387. The ending balance at December 31, 2008 was \$19,150.

Note 6. Restatement of Beginning Fund Balance

The beginning fund balance was restated by \$3,750 for a prior year error. The restated beginning fund balance is \$(1,131,532).

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Michael O. Buchanon, Warren County Judge/Executive  
Honorable Jerry Gaines, Warren County Sheriff  
Members of the Warren County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements - regulatory basis of the Warren County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated March 29, 2010. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Warren County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Warren County Sheriff's financial statements as of December 31, 2008, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Warren County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

March 29, 2010

